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WORLD COTTON PROSPECTS

Summary

Cotton textile mill activity throughout the world as a whole was apparently somewhat higher during October than for the like period in each year since 1929-30. In Great Britain mill activity in October was still increasing and was considerably higher than a year earlier, while in Japan activity in October reached the highest levels on record and the mills were probably using larger proportions of American cotton than ever before. Domestic mills consumed more cotton in October this year than in the past three Octobers, although only slightly more than during October last year. On the Continent of Europe mill activity in most countries continued above a year earlier, although, as in the United States, mills are on the whole less active now than during the summer. Mills in China were more active in early November than for several months and possibl more active than a year earlier. In India and Russia cotton mills during September consumed considerably less cotton than a year earlier, and this was probably true for the month of October.

So far no agreement has been reached on the Anglo-Indo-Japanese cotton trade problems which grew out of the 75 percent Indian tariff on non-British piece goods and the resulting boycott of Indian cotton by the Japanese. Information received from Japan in late November indicated that possibly an agreement may be reached within a relatively short time. If no agreement is reached it will probably not be long before American cotton will represent more than 75 percent of the total cotton consumed by the Japanese mills whereas during the 10 years ended 1931-32 American represented about 40 percent of the total and Indian about 51 percent. During September American cotton

constituted 83 percent of the total cotton imported into Japan although American represented only 63 percent of the total mill takings for the month and Indian 34 percent, the forwardings of Indian coming largely out of the stocks which were accumulated before the boycott went into effect. According to information received from the Japanese cotton trade in late November, the Japanese have submitted a proposal which contained their final concessions in the Indian tariff and Japanese boycott controversy. The most important provisions of the proposal included: (1) that for the yearly importation of 1,000,000 bales of Indian cotton into Japan, India is to permit the Japanese to export 400,000,000 square yards of piece goods to India at a duty of 5-1/4 annas (11.98 cents at par) per pound of cloth with no allowance or action due to variations in the level of the yen exchange, (2) that for each additional bale of Indian cotton taken by Japan, an additional 150 square yards of cloth be added to the Japanese cloth quota with a limit of 1,500,000 bales, and (3) that the periods for applying these terms be calculated on a half yearly basis with a 10 percent allowance either way.

Prices

Cotton prices in domestic markets advanced rather sharply during the latter half of October, then reacted somewhat during the first few days of November, but from November 7 to November 16 advanced more than three-fourth cent per pound, reaching the highest level recorded since early August. On October 16 the average price of middling 7/8 inch cotton in the ten designated markets was 8.51 cents per pound, but before the end of October advanced to almost 9½ cents and on November 16 averaged 10.03 cents, an advance of 1½ cents within a month. From November 16 to November 24 there was a net decline of 0.23 cents, the ten markets on the latter date averaging 9.80 cents per pound.

Much of the fluctuation in cotton prices in the United States during the past month has been due to the further depreciation in the value of the dollar, in terms of gold. During the week ended November 18 the average price in the ten markets reduced to a gold basis was 6.08 cents, the same as the average for the week ended October 14, but somewhat lower than during the week ended October 28. The average price in currency for the week ended November 18 was 9.86 cents and for the week ended October 14, 9.04 cents.

During the past few weeks prices of Indian cotton at Liverpool have shown relatively little change as compared with prices of American. The average price of three types of Indian (Oomra, Broach, and Sind) is now less than 80 percent of the price of American middling and low middling compared with 88 to 90 percent a year ago and an average for the 10 years ended 1931-32 of 80 percent.

At mid-November prices of American middling in Shanghai, China, in terms of Chinese currency, were somewhat lower than a month earlier, but were still higher than those for native cotton and buying of American cotton was reported as very slow. The Japanese mills in China are reported as not buying the loan cotton of the syndicate.

Stocks and Movement

Apparent supply of American cotton in United States

The apparent supply of American cotton remaining in the United States on November 1 amounted to approximately 17,200,000 bales compared with 18,000,000 bales a year earlier, almost 20,100,000 bales on November 1, 1931 and 15,300,000 bales at the beginning of November, 1930. Of the apparent supply in the United States on November 1 this year, 9,450,000 bales were in public storage and at compresses and 1,300,000 bales at consuming establishments as reported to the Bureau of the Census. On November 1 last year stocks of American cotton in public storage and at compresses amounted to almost 9,800,000 bales and stocks in consuming establishments to 1,200,000 bales.

Exports of American cotton

During October exports of American cotton amounted to 1,047,000 running bales which while only slightly above October, 1932 were the largest for the month since 1929. Japan, France, Italy, Spain, China, and Canada were the important foreign countries taking larger quantities of American cotton in October this year than in October, 1932. The October shipments to Japan were the second largest for the month in the history of our exports.

For the 3 months ended October 31 total domestic exports amounted to 2,446,000 bales compared with 2,194,000 bales during the first quarter of last season, 1,783,000 bales in the first 3 months of 1931-32 and were the largest for the period since 1926-27. Exports to Japan during the first part of this season were the largest for the period in history and are, no doubt, accounted for by the Japanese boycott on Indian cotton which unloubtedly accounts for the very small exports from India to Japan.

Exports from India and Egypt

During the 4 weeks ended November 16 total exports of cotton from India amounted to 86,000 bales of approximately 400 pounds compared with 109,000 and 120,000 bales respectively in the like period of each of the last 2 years, according to data from the Commercial and Financial Chronicle. This decrease as compared with previous years is accounted for by the smaller exports to Japan and China. These two countries combined took only 25,000 bales during the 4 weeks ended November 16 which was 22 percent less than a year earlier and 65

percent less than in the like period of 1931. During September imports of Indian cotton into Japan were reported at only 13,000 bales of approximately 500 pounds, a decrease of 73 percent from a year earlier and 90 percent from September, 1931 and were the smallest for the month of September since 1923. Imports of American cotton in September on the other hand were 43 percent larger than a year earlier, 49 percent larger than in September, 1931 and were the largest for the month in history. As stated in the above section the Japanese boycott of Indian cotton accounts for these developments. There is now, no doubt, about the Japanese being able to carry through the agreement not to buy Indian cotton.

During the 4 weeks ended November 15 exports of Egyptian cotton amounted to 129,000 bales of approximately 750 pounds compared with 75,000 bales during the like period last season and 112,000 bales during the corresponding 4 weeks 2 years ago. During the period August 1 to November 15 total exports from Egypt amounted to 282,000 bales which was 45 percent larger than in the like period of last season and 3 percent above the first 3½ months of the 1931-32 season.

Textile Situation

United States

Domestic cotton consumption in October amounted to 504,000 running bales compared with 499,000 bales in September, 502,000 bales in October, 1932 and was the largest for the month of October since 1929, according to data from the Bureau of the Census. During the first 3 months of the season total cotton consumption in the United States amounted to 1,592,000 bales which was 193,000 bales or 14 percent larger than during the first quarter of last season, 242,000 bales or 18 percent larger than during the corresponding period of 1931-32, and 403,000 bales or 34 percent larger than during the first quarter of 1930-31. The average consumption per working day during October was slightly less than during September and slightly higher than during October last year.

The indications are that during the first part of November domestic mill activity declined somewhat further. During the week ended November 11 sales by mills increased, according to trade reports, but were probably not equal to output. However, mills have been very careful in holding down stocks and at present mill stocks of most cotton goods are said to be rather low and in many lines of goods below a year ago.

Great Britain

During October the trend of mill activity in England was upward and at considerably higher levels than during October last year. During the latter part of October and the first of November, sales of cotton textiles by British manufacturers increased and somewhat exceeded production. Exports of cotton piece goods from Great Britain declined slightly during October, as compared with September, but exceed exports during October last year by 13 percent and were the largest for the month since 1929. During the first quarter of this season British exports of cotton piece goods were considerably lower than during the like period of 1932-33, but much above the first quarter of 1931-32.

So far it is difficult to see from the exports of piece goods from Great Britain any benefits which have come to the English industry due to the increase of the Indian tariff on non-British piece goods in June, which presumably would reduce Japan's exports to India. In April and May exports of piece goods from Great Britain to India accounted for 25 percent of the total piece goods exported from England, whereas in August and September exports to India accounted for only 20.2 and 20.7 percent respectively of the total. Up through July the imports into India did not show any effects of the change in the tariff for, whereas, during the 5 months prior to June imports of cotton cloth into India from Japan were smaller than imports from the United Kingdom in June and July, imports from Japan were larger than from the United Kingdom and larger than in the previous months. In August, however, imports from Japan decreased 24 percent, whereas imports from the United Kingdom increased 43 percent, but the imports from Japan were larger than those from the United Kingdom.

Continental Europe 1/

New business of cotton spinners and cotton weavers on the Continent during September and October did not come up to previous expectations. Furthermore, the decline in new sales of cotton yarn and cotton fabrics is contrary to the usual seasonal movement. Very quiet new business and a possibility of curtailment in mill activity is now reported from all parts of the Continent. Actual restriction of mill activity to date, however, has not been significant, since unfilled orders on hand are still sufficient to keep mills occupied at a satisfactory rate for some time to come.

Complaints regarding the slowness of new sales of cotton yarn and cotton fabrics were received from France as well as from western and central Europe. It now appears that the revival of business in Czechoslovakia and Austria prior to September was more pronounced than previous reports indicated. This belated announcement of more favorable summer business tended to offset the more unsatisfactory developments now occurring. There is very little recent information on the Italian situation but mill activity figures for July and August point to a reduction in unfilled orders, which, however, is more or less seasonal.

Taking the Continent as a whole, mill activity during September and October showed little change from that of immediately preceding months. However, some recession has already taken place in parts of Germany and France, and this decline is likely to be further emphasized unless the hoped-for improvement in fall sales is realized. The accumulated stocks of manufactured goods mentioned in last month's report are becoming more and more felt, and a pick-up in consumers' purchases is necessary to preserve present levels of output.

There was a fairly active spinner buying of raw cotton during September and October, though purchases in the latter month slackened somewhat, due to uncertainty regarding the American currency policy. Price-fixing was important on all temporary setbacks in the market, and purchases of raw material were also sporadic.

1/ Based largely on a report prepared by Assistant Agricultural Attaché Donald F. Christy at Berlin on November 9, 1933.

Germany

The German cotton spinners' report for the month of September indicated a continuance of the decline in new orders observed in August. Calling on old contracts was not uniform. Mill occupation was maintained on the basis of old unfilled orders. Import purchases of cotton yarns, numbers 47 to 83, prior to the tariff increase which went into effect at the beginning of August, have so far prevented a revival of domestic business in these yarns. Western Germany continued to complain of increased foreign competition in coarse counts. Sales by two cylinder spinning mills are regarded as unsatisfactory for, despite a slight revival, they were much below the seasonal normal.

For the month of September cotton weavers reported a spotted improvement in wholesale demand for fabrics, but the pick-up was much less than seasonal. Unfilled orders on hand were sufficient to maintain mill activity on previously reached levels, but these unfilled orders showed a sharp decline during the month, as a result of relatively small current sales. October reports are not yet available, but it appears that a quieter tendency in new business has continued.

Textile retail sales used as an index for ultimate consumer demand show that in the third quarter of 1933 the value of the turnover was 103.4 percent of that in the third quarter of 1932. In September 1933, alone, this percentage was 108.8 percent of the previous September. If price variations are eliminated, the September 1933 figure indicates a quantitative increase in sales of from 8.5 percent to 11.6 percent over September, 1932, depending upon which price index is used for the conversion of values into quantities.

German cotton spinner buying of raw cotton during September and October was characterized by a fair volume of new acquisitions in the first month, but considerable caution in the second. Price-fixing was important on setbacks in the market. Toward the end of October both cotton spinners and cotton merchants assumed a very reserved attitude in view of the prevailing uncertainty regarding the American currency policy and, therefore, future cotton price developments.

The cartel commission of the German cotton spinning industry has again drawn up and confirmed its previously proposed minimum price agreement for cotton yarn, and the agreement was approved by 80 percent of the German spinners. So far, however, it has not been put in force.

Czechoslovakia

As indicated by recent reports from the Czechoslovakian spinning and weaving centres, the cotton industry there during July and August experienced a considerable revival from the very depressed condition that existed during the first half of the current year. As a result, in July the cotton spinners' cartel increased its production quota about 10 percent, valid up to October. Nevertheless, mill production utilized only about half of full spinning capacity. Since August, new business of both spinners and weavers has again become less satisfactory. Spotted seasonal increases in sales are of little importance. Exports continue unsatisfactory because of the very depressed state of import buying in customer countries.

Exports to Rumania have been made especially difficult through the existing payment and transfer restrictions, but this difficulty is expected to be overcome by the recently concluded contingent agreement with that country.

Austria

Similarily as in Czechoslovakia, the Austrian cotton textile industry experienced a good improvement during August, according to recent reports and statistics. The index of raw material requirements by cotton weaving mills, which serves as a measure for weaving mill activity, rose from 89 percent of the 1923-1931 average in July, to 120 percent in August. In May 1933, this index was 114, and last August it was 121. Production of cotton yarn increased from 88 percent of the 1923-1931 average in July to 118 percent in August. The latter figure is greatly above the 87 percent and 102 percent respectively reported 1 and 2 years ago.

During August, 550,000 of the 745,000 spinning spindles in place were occupied one shift, and 30,000 worked two shifts. The increase in cotton yarn sales is reported to be largely due to increased exports to Hungary and Rumania as well as to Lithuania. The latter country granted Austria a yarn import contingent around the middle of the year.

As far as can be judged from indications available for the month of October, the improvement of the summer months has given way to a reduced volume of new orders which in turn has caused a decline in mill activity.

While Austrian cotton spinners long ago united into a cartel which regulates prices and terms, cotton weavers made a similar arrangement only recently. All Austrian weavers joined this cartel, the members of which are obliged to report to the cartel administration their daily sales as well as prices and qualities of the goods sold. Prices, however, are not fixed by the cartel, but the sales must be effected at uniform terms.

France

Rather satisfactory reports on new business and mill activity were received for the month of September, but October was characterized by a very quiet state of trading in the spinning as well as weaving sections. Only toward the end of the month was there some improvement in new business of weavers, as a result of increased buying interest on the part of the wholesale trade. Cotton yarn business was especially handicapped in the North, with Roubaix - Tourcoing complaining of slow sales, reduced unfilled orders, and very unsatisfactory prices. The situation was somewhat better at Rouen, where cotton yarn sales were effected, at the beginning of the month, for near delivery as well as for delivery in the first quarter of 1934.

Italy

Recent reports on the development of cotton mill conditions in Italy are lacking, but statements in the foreign Press indicate that Italian exports of cotton goods to Mediterranean countries are meeting with strong competition from Japanese offers.

A rather stable level of cotton spinning and cotton weaving mill activity has been maintained in Italy up to the beginning of September. Fluctuations since the first of the year have been relatively insignificant, but a tendency to decline was noted around the middle of the year, especially in the weaving section where the reduction of activity from the end of June to the end of August amounted to about 8 percent. However, both spinning and weaving mill activity is considerably above last year and 2 years ago. The increase as compared with last year is, roughly, 25 percent.

Holland

The Dutch cotton textile industry in recent months demanded further measures to be taken in favor of its greatly curtailed business. The formerly very large business in cotton weavings has been cut down almost to the level of imports of cotton weavings. This is why the industry thinks that the shift to a domestic sales basis, with a resultant replacement of imports by supplies from the domestic mills, would be a desirable measure to put through.

A serious problem for the Dutch cotton industry is the increasing industrialization of Java, as well as Japanese competition in Asia. However, other countries are also considerably concerned about these developments as they except the Dutch industry to become a very keen competitor on continental markets to offset its loss of overseas markets.

Soviet Russia

Production of cotton textile fabrics during the first 8 months of 1933 is reported to have been about 1,750,000,000 yards which is fully 100 percent of the plan for that period and about equal to production during the corresponding period last year. However, this favorable quantitative result is greatly marred by the reported facts of poor and uneconomical production. About 383,000,000 yards of fabrics, or over 20 percent of the total production, is reported to be either spoiled or defective goods, and an additional 109,000,000 yards were lost through poor utilization of raw material. The 100 percent execution of the textile production plan for the first 8 months was only possible, according to an article in the "Isvestia", by utilizing about 10,000 to 11,000 more tons (46,000 to 51,000 bales of 478 pounds) of raw cotton than provided for by the plan, and through the introduction of additional equipment and labor.

September 1933 production of cotton fabrics was 188,603,000 yards or about 80 percent of the monthly plan, as compared with an output of 209,627,000 yards in September 1932.

Production costs in the cotton industry during the first half of 1933 were supposed to decline by 1.2 percent but instead increased by 4.9 percent. Labor efficiency was fully 6.5 percent below the plan.

China

The cotton textile situation in China during the first part of November continued about unchanged, according to a radiogram from Agricultural Commissioner Dawson at Shanghai on November 15. Stocks of cotton yarn continued burdensome despite some improvement in sales during the previous month. A Chinese cotton control commission has been formed to relieve the situation. The commission is limiting the amount of yarn tenderable for settlement on the exchange for November and December settlements. A new set of yarn standards are to be made and yarn tendered for settlement is subject to inspection by the commission. Mill activity in the first part of November was placed at about 90 percent of capacity, a marked increase over the levels existing during the summer.

The seasonal activity in the Chinese piece goods markets has decreased and no important improvement is expected until after the Chinese New Year in early February. Sales of Japanese goods in Tientsin and South China have been good, according to Mr. Dawson's report, while British and continental European goods have not been selling.

Japan 1/

The Japanese have apparently been successful in building up sufficient foreign trade in cotton textiles to offset to a considerable degree at least the decline in sales to India due to the increased Indian tariff. At any rate the production of cotton yarn by Japanese mills reached the highest level on record in October. The 286,500 bales of cotton yarn produced in October compares with 261,000 bales produced in September, the previous all-time high, and 230,000 bales in October 1932. During the first 3 months of this season total yarn production amounted to 780,000 bales compared with 691,000 bales during the first quarter of 1932-33 and was 10 percent higher than the previous peak consumption for this period.

In addition to the high level of activity another factor favorable to the consumption of American cotton is the continuation of the boycott on Indian cotton. In September imports of American cotton into Japan amounted to 152,000 bales, the largest for the month on record while imports of Indian were the smallest for the month in 10 years and with one exception for more than 20 years. If the boycott continues, it may not be long before American cotton will constitute as high as 85 or 90 percent of the total cotton consumed by Japanese mills. During September American cotton constituted 83 percent of the total imports of cotton into Japan. During the 10 years ended 1931-32 American cotton represented about 40 percent of the total cotton consumed by Japanese mills, and in 1932-33 American represented 66 percent of the total. At present the mills are using up the stocks of Indian cotton which are the largest for the corresponding period since 1929. Forwardings of American cotton to Japanese mills during September amounted to 154,000 bales compared with 129,000 bales in August, an increase of 19 percent. Forwardings of Indian cotton on the other hand decreased from 100,000 to 83,000 bales or 17 percent.

1/ Based largely on a report from Vice Consul McConaughy at Kobe transmitted by radiogram November 1 from Shanghai, China.

Exports of piece goods during September amounted to 176,000,000 square yards, a decrease of 8 percent compared with August, and 12 percent compared with September, 1932, but cloth production continued at very high levels during September, yarn stocks showing very little change despite the record yarn production. The shortage of 20-count yarn continued into October despite the substitution of higher counts up to 32's and as a result some Chinese and other yarns were imported. The higher yarn prices prevailing in August continued in September. Most of the decrease in exports of cloth is said to have been due to the decline in exports to India.

A message received by radiogram from the Agricultural Commissioner's office at Shanghai on November 23 stated that, according to word from Tokio, Japan, the Japanese had recently submitted a proposal in the Japanese boycott and Indian tariff controversy which contained the following most important points:

(1) for the yearly importation of 1,000,000 bales of Indian cotton into Japan, India is to permit the Japanese to export 400,000,000 square yards of piece goods to India at a duty of 5-1/4 annas (11.98 cents at par) per pound of cloth with no allowance or action due to variations in the level of the yen exchange.

(2) for each additional bale of Indian cotton taken Japan should be allowed an additional 150 square yards of piece goods.

(3) that excess purchases of cotton over 1,000,000 bales to which the 150 square yards applies shall be limited to a total importation into Japan of 1,500,000 bales.

(4) the periods for applying the terms included in the proposal should be calculated on a half-year basis and that a 10 percent allowance be made either way.

Production, Acreage, and Crop Conditions

United States

The November estimate of the domestic crop placed the indicated harvest at 13,100,000 bales of 500 pounds gross. This was an increase of 215,000 bales or 1.7 percent above the October 1 forecast, almost 100,000 bales above the 1932 crop, but 1,566,000 bales or 11 percent below the 1928-1932 average. The average yield forecast as of November 1, was 208.7 pounds per acre compared with 173.3 pounds in 1932 and an average for the 10 years 1922-1931 of 167.4 pounds. The indicated yield per acre is only 2.8 pounds per acre below the large yield of 1931 and the largest with the exception of that year since 1914. Weather conditions have been unusually favorable this year in most sections of the Belt and weevil damage has been light.

Conditions have been very favorable for harvesting and up to November 14 total ginnings from the 1933 crop amounted to 11,251,000 running bales counting 475,400 round bales as half bales. Ginnings to November 14 last year amounted to 10,534,000 running bales, and to 14,208,000 bales to that date in 1931. The Crop Reporting Board states that during

October picking and ginning progressed rapidly with minimum field losses. The average weight of the bales ginned this season is considerably above average, which is an important factor in interpreting ginnings report as compared with the crop estimates which are in bales of approximately 500 pounds gross or 478 pounds net.

Russia 1/

The cotton picking and procuring campaigns are now in full swing and, despite the usual complaints, seem to be developing satisfactorily. Thus, almost half of the total raw cotton to be procured this year was procured by October 15, the quantity delivered amounting to 631,276 metric tons of unginned cotton, (900,000 to 960,000 bales of ginned cotton of 478 pounds, depending upon the ginning outturn) or 46.9 percent of the plan. September procurings were considerably above those of a year ago, and total procurings to October 15, compare more favorably both with 1932 and 1931.

This year's procuring plan has been set at 1,346,200 tons of unginned cotton, which would correspond to 1,925,000 to 2,050,000 bales of ginned cotton of 478 pounds. As practically all of the cotton harvested is procured by government organizations, the above figures represent approximately the government ideas as to the outturn of the 1933 cotton crop. It is interesting to note that this estimate is below the figure available at the same time a year ago when a procuring plan of 1,450,000 metric tons of unginned cotton was published. However, the present plan is 10 to 15 percent (depending upon ginning yield) higher than the final crop estimate for 1932. Nearly 45 percent of the yearly procuring plan is to be delivered during October, but the Press indicates that the pace of procurings during the first half of the month was not sufficient to guarantee complete execution of the monthly plan.

Complaints show the picking of unripe cotton, as well as the moistness of cotton delivered to the procuring centres, and the usual difficulties with respect to transportation and shortage of sacks, etc., are reported.

1/ From Mr. Christy's report dated November 9.

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